



# State, Society & Governance in Melanesia

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## Assessing the Terms of Inclusion in the State of Timor-Leste

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In Brief 2016/3

This In Brief provides an overview of the main themes emerging from the 2015 Timor-Leste Update conference held at the Australian National University, 19–20 November 2015. Organised by the State, Society and Governance in Melanesia Program (SSGM), the conference brought together academics and policymakers from Timor-Leste, Australia and Portugal, taking as its point of departure the ‘terms of inclusion’ of citizens in the state of Timor-Leste and of Timor-Leste in its region.

Since 2007, Timor-Leste’s public policies have expressly pursued inclusion as an antidote to the instability that dogged the country’s first six years as an internationally recognised state. Successive governments have invested heavily in social transfers and public infrastructure to reach out to disaffected constituencies. Following the 2012 election, politics too has become increasingly inclusive. Cooperation between government and opposition parties saw the 2013, 2014 and 2015 budgets passed unanimously by the parliament following debate and adjustments in the committee stage. In February 2015 the appointment of Dr Rui Araújo from the opposition minority party FRETILIN as prime minister ushered in a new government broadly inclusive of the main political parties represented in parliament.

The [program of the incoming government](#) presented to parliament in March 2015 reiterated the ‘pragmatic logic of aiming to serve the national interest above any other political and partisan interests, in order to meet the challenges faced by the country’ and affirmed the promotion of national inclusiveness and unity as ‘an absolute priority for this Government’. [Prime Minister Araújo](#), addressing the United Nations General Assembly on 1 October 2015, commended the ‘inclusive democracy’ on which his government is based.

When the Araújo government was appointed, [President Taur Matan Ruak](#) observed that the reins of government were being passed ‘from the generation which has conquered liberation to that which must conquer development’. The development challenges for the new government are legion;

they include dwindling public revenues, a weak labour market, rapid urbanisation, high population growth, endemic poverty and inequality and its discontents. These challenges formed a backdrop for the discussion of terms of inclusion at the 2015 Timor-Leste Update.

In his keynote speech Minister of State and of the Presidency of the Council of Ministers, Agio Pereira, argued that it is easy to stand outside Timor-Leste and judge its mistakes without appreciating the significant progress that the country has made since its internationally recognised independence in 2002 and the genuine striving for peace and stability that is shaping the direction of public policy. This tension between sanguine and critical perspectives was evident throughout the discussions at the update as the nature and extent of social, economic and political inclusion were explored.

In the political sphere, several fundamental questions informed discussions. These included whether the current political entente is simply an elite pact that bypasses the wider population, whether and to what extent the politics of inclusion would create new forms of exclusion, and whether consensus politics could survive an election campaign fought on partisan lines. The entente that has emerged is a conscious attempt to ‘tame’ politics and underpin security and development. But while designed to limit conflict *inside* the political system, the risk is that the entente insulates executive government from the checks and balances contained within the broader ensemble of political institutions in an environment where judicial power is weak, the parliament offers no real opposition and the presidency is part of the consensus. Conference participants were reminded of the activist parliament of 2007–2012 that questioned government and actively pursued judicial review of government decisions. While the idea of inclusive democracy is attractive, there was a call for ways to test the consensus, so that it is more than the consensus of a small elite.

In the economic domain, fundamental questions raised included the sustainable level of public spending into the

future, how best to direct state expenditures to achieve greater equity and prosperity for all, and how to strike the right balance between the interests of citizens and the interests of the state in national development. On one assessment, Timor-Leste is facing a fiscal cliff in the next decade as a result of contracting petroleum revenues, high public borrowings and spending at levels well above the sustainable limit of the Petroleum Fund.<sup>1</sup> Timor-Leste's impressive GDP (gross domestic product) growth has translated unevenly across the population, and is a poor indicator of population wellbeing. A better measure is consumption poverty, with 49.9 per cent of the population sitting below the poverty line. A strong case was made to direct a greater share of public expenditure towards targeted social assistance, agriculture, education and health, where spending is generally well below global benchmarks. Although social assistance spending is very high by regional standards, veterans are the principal beneficiaries, while 61 per cent of the poorest households still miss out and the overall impact of spending on poverty is weak.

Vigorous debate also took place over the mega-infrastructure projects in Oecussi and the south coast which are designed to promote economic growth and are channelling massive public investment for unproven — and some suggest unachievable — results. Observers pointed to the serious social dislocation that is occurring as land is appropriated from villagers for redevelopment. These projects raise important questions such as: Whose interests do they serve? Who loses out? And how is the balance of costs versus benefits weighed? There are also questions about the opportunity costs of expenditure foregone in other sectors including agriculture, education and health, and the effect of the displacement of rural villagers on urban drift.

In the social domain, women and the disabled remain on the margins of politics and society. Although a number of important legislative advances have been made in relation to women's rights in recent years, high levels of sexual and physical violence against women temper these achievements and have a profound impact on development generally. A key issue is that women who have experienced violence are confronted with a system that is not always able to understand or respond to their complex needs or protect them from ongoing violence.

In the international sphere, presentations highlighted that Timor-Leste is emerging as a strong player in the region and beyond. With active sponsorship from Indonesia it is moving closer to its ambition of ASEAN membership, it has developed close ties with the People's Republic of China, it has taken a leadership role in the g7+ grouping and is

currently chairing the Community of Portuguese-Speaking Countries. The relationship with Australia is more complex as Timor-Leste pursues international arbitration over the validity of the Treaty on Certain Maritime Arrangements in the Timor Sea. Discussions at the update underlined that, while both governments are happy to profess the underlying strength of the bilateral relationship, the maritime delimitation issue remains a key sticking point in the relationship, with neither Timor-Leste nor Australia backing away from previously expressed positions on this question.

The discussions at the 2015 Timor-Leste Update underscored the degree to which Timor-Leste has, in a short space of 13 years, emerged as a confident state that has seemingly put political instability behind it and is driving a bold development agenda. At the same time, however, discussions underlined the fiscal and policy risks of that development agenda, and the fact that the elite's 'inclusive' rhetoric is not always being matched by the way policies are being designed and implemented on the ground.

### Author Notes

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### Endnote

1. The Petroleum Fund is a sovereign wealth fund into which petroleum revenues are paid and from which funds are drawn to finance government expenditure.

